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opposed to cash-out refinances, where the loan amount is increased to draw cash against the equity in the property. Property type, whether single-family residence, condo, or multi-unit property, also affects the interest rate with single-family offering the best rates. Owner occupied properties qualify for the lowest rates, while rental properties can be substantially higher on rate.

The Loan-To-Value (LTV) can have a significant effect on the rate offered. LTV, in combination with many of the other factors previously mentioned, can cause one's rate to increase or even for the transaction to no longer make sense. LTV is a ratio that explains what percentage the loan amount is of the property value. Currently, lenders are offering their lowest rate options to borrowers who have a 60% or less LTV. The other way of looking at a 60% LTV is to think of the property as having 40% equity. Once the LTV goes over 60%, there is a slight increase on the rate and again another increase when the LTV goes over 75% and so on. The lower the credit score, the higher the rate as one moves higher on LTV. This equation of calculating interest rates is complicated and there are many factors involved. Add to that an understaffed and over-capacity mortgage industry and you have long delays in getting refinances through.

The result of this is directly felt in the rate lock periods offered by the lenders in the current environment. Rates are moving every day, up to five times a day. We have seen interest rates increase by as much as 1% within a few hours of a given day! During the first two to three weeks in August, it was common to see rates move up and down by .25% per day. This is extremely volatile and this level of volatility has been going on since the mortgage meltdown of late 2007-2008. The only way for a borrower to secure a rate and not be at the mercy of the wild market volatility is for the borrower to lock in an interest rate

for a period of time sufficient to close the transaction. Lenders offer many lock periods, the shorter the lock period, the better the interest rate offered. In this way, marketing machines can manipulate the rates they quote by quoting the shortest lock period in combination with the best borrower profile. The reality is that most lenders right now are requiring minimum 45-day rate locks for refinances, since they can't get each borrower through the process for less than that amount of time. The only way to lock in a shorter rate lock period, say 30 or 15 days, is to be in process with a complete loan submission cleared through underwriting along with a complete appraisal report. This means a borrower has to complete a loan application, submit it to the lender, have ordered/received a completed appraisal report, and have clearance on all conditions from underwriting. It could take 2-3 weeks to get this far in the process by which time the overall interest rate environment may have changed significantly for the worse. You can see that marketing a rate is easy but delivering on that rate takes a lot more effort. This is why so many people go into the process thinking they are getting one rate, but end up spit out the other end with a higher rate and a bad taste in their mouths from the entire process. Yet another reason to use a broker, if one lender is not performing, you can go to another lender with relative ease to ensure you get your rate.

If you have any questions or need me to educate you more on how mortgage banking is working, or not working, these days, please don't hesitate to call me.

As always, your loan guy,  
Viral (Vic) Joshi

P.S. If you want to get more timely market updates, email me, viral@vicjoshi.com, so that I can put you on the mailing list.

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Hello Friends,

Interest rates continued to hover near the 50-year low into mid-September, and I have seen my workload quadruple since

the beginning of August of this year. This is a great thing for me, obviously, but these spikes in activity cause major slowdowns in the mortgage industry. We have seen underwriting time frames extend from the normal 24-48 hours to over ten business days!

Of course, BankRate continues to publish interest rates based on the shortest rate lock periods and turn times that are not viable in the current market environment. The bait and switch is still alive and well; it is seen on the web and in all forms of mass marketing, such as TV and radio. Since rates are so low and are making headlines, I'd like to share some information about how rates are offered by the lenders.

There are many components to a rate quote. Naturally, much of the quote is tailored to a specific borrower's profile. The factors include credit score, type of mortgage, type of property, whether owner occupied or not, and the amount of equity in the property. To get the best possible rate, your credit score needs to be over 740. That means that of the three scores used from Equifax, Experian, and Trans Union, the middle score needs to be over 740 to qualify for the best market rates. The type of mortgage, whether used for purchase or refinance, has a bearing on the rate offered with purchases getting some lower rate offerings than refinances with some lenders. The type of refinance also has a bearing with lower rate offerings for rate/term refinances as

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